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AUTHORITIES

PENSION PLAN

ANNUAL REPORT

for the nine months ended December 31, 1993



PROVINCIAL TREASURER

224 Legislature Building, Edmonton, Alberta Canada T5K 2B6


The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Local Authorities Pension Plan Act, being Chapter L-28.1 of the 1985 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Local Authorities Pension Plan for the nine months ended December 31, 1993.

Yours sincerely,

Jim Dinning
Provincial Treasurer



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Introduction

The Local Authorities Pension Plan was established effective April 1, 1962, by the Local Authorities Pension Act to provide a contributory pension scheme for employees of local authorities in Alberta. Local authorities include cities, towns, counties, municipal districts, hospitals, school divisions and districts, and other public bodies in Alberta approved by the Lieutenant-Governor in Council.

The Local Authorities Pension Act was repealed on November 1, 1985, and replaced by the Local Authorities Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Local Authorities Pension Plan Board was assigned an advisory and appellate role.

In June 1990, the federal Income Tax Act was amended to give effect to a reform of the rules governing tax assistance for retirement savings. In order to retain its status as a tax registered pension plan, the Local Authorities Pension Plan

required amendment effective January 1, 1992. Accordingly, the Pension Statutes (Transitional Arrangements) Act, 1991 was passed to effect the changes. This Act was subsequently repealed and its provisions incorporated in the Pension Statutes Amendment and Miscellaneous Provisions Act, 1992.

In March 1992, the Provincial Treasurer and the Local Authorities Pension Plan Board announced the terms of an agreement relating to the funding and management of the plan. In May 1993 the Public Sector Pension Plans Act containing the agreed pension reform was passed. The terms contained in the Act relating to the establishment of a separate fund for the Local Authorities Pension Plan were proclaimed effective September 30, 1993. Terms relating to the formation of the Pension Board were proclaimed effective December 15, 1993. All other terms were proclaimed effective January 1, 1994.

Unless otherwise stated, the information in this report is based on the legislation in effect from April 1, 1993 to December 31, 1993.

Plan Overview

The Local Authorities Pension Plan is a contributory defined benefit plan. Effective August 1, 1993, employee contributions were increased to 4.55 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.425 percent on any excess. The previous rates were 4.462 and 6.337 percent. The employer contributes at a rate of 1 percent higher than the rate of the employee contributions.

As provided by legislation, the above rates are inclusive of employer and employee rates of 0.525 percent each to assist in meeting the unfunded liability resulting from pensionable service prior to January 1, 1992. In addition, the Government of

Alberta contributes a further 0.450 percent of total pensionable earnings towards meeting the unfunded liability. In order to comply with the amended federal Income Tax Act, contributions are limited to those applicable to pensionable earnings up to \$95,711 for the 1993 calendar year.

Members may retire at any time after age 55 if they have accumulated five years of pensionable service. For the purposes of this plan, normal pensionable age is 65. Members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age although federal tax legislation requires that

Plan Overview (Cont'd)

pension payments must begin no later than the end of the year in which the member reaches age 71. Therefore, contributions will not be required and service will not accrue beyond that date.

Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. Pension benefits earned after December 31, 1991, are subject to the maximums imposed by the Income Tax Act. The maximum benefit that can be earned for the 1992 and 1993 years of service is \$1,722, which equates to maximum pensionable earnings of \$95,711.

If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and

spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members can elect a single life pension, a normal pension, or a life pension with a 10 or 15 year guarantee period. Members may also elect a joint life pension based on their life and that of a nominee.

The plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases, the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Effective September 30, 1993, the Local Authorities Pension Plan Fund was established. The plan assets held by the Pension Fund were transferred into the new Fund on that date.

Review of Operations

The Local Authorities Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

During the period under review, the major emphasis for the Administration has been on

developing the administrative changes necessary to implement the terms of the Public Sector Pension Plans Act. Effective September 30, 1993, new accounting procedures and banking arrangements were initiated to give effect to the establishment of the Local Authorities Pension Plan Fund.

Actuarial Liabilities

An independent actuarial valuation of the Local Authorities Pension Plan was carried out at December 31, 1991. The valuation took account of the benefit adjustments required by the application of the revised federal tax rules. In addition, based upon consultations between the Government and the Pension Board, revised economic and

demographic assumptions were incorporated into the valuation. The valuation estimated the accrued liability of the Local Authorities Pension Plan at December 31, 1991, to be \$4,316,000,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 9.6 percent.

Participation

At December 31, 1993, there were 500 employers participating in the Local Authorities Pension Plan, 85,488 active contributors, and 4,176 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the types of participating employers and the number of participants is provided in the section on contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These

transfers are not reflected in the Statement of Receipts and Payments. Book entry transfers were discontinued September 30, 1993 with the creation of separate Plan Funds.

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount \$	Number	Amount \$
Public Service Pension Plan	112	2,251,301	24	409,187
Public Service Management Pension Plan	7	281,928	4	255,030
Special Forces Pension Plan	-	-	6	18,028
Universities Academic Pension Plan	1	22,461	5	238,264
	120	2,555,690	39	920,509

Reciprocal Agreements

At December 31, 1993, the Local Authorities Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Teachers' Retirement Fund
- Public Service Management Pension Plan
- Public Service Pension Plan
- Special Forces Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Canada Mortgage and Housing Corporation
- Capital Pension Plan
- Dalhousie College and University
- Government of Canada
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- Manitoba Municipal Employees Benefits Board

- Minister of Finance, Government of New Brunswick
- Minister of Finance, Government of Prince Edward Island
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- Saint Paul University
- Saskatchewan Association of Health Organizations
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Teachers' Superannuation Commission
- University of Manitoba

Reciprocal Transfers

During the nine months ended December 31, 1993, the following number and value of reciprocal transfers were undertaken:

	Transfers To Local Authorities Pension Plan		Transfers From Local Authorities Pension Plan	
	Number	Amount \$	Number	Amount \$
Alberta Teachers' Retirement Fund	6	559,175	4	19,865
Government of Canada	4	144,724	4	144,404
Ontario Colleges of Applied Arts and Technology	2	23,613	-	-
Ontario Municipal Employees Retirement Board	6	193,755	-	-
Public Service Pension Plan	35	596,818	11	283,292
Saskatchewan Association of Health Organizations	4	118,105	-	-
Special Forces Pension Plan	-	-	2	11,125
Health Sciences Centre of Manitoba	-	-	3	168,986
Public Service Management Pension Plan	-	-	2	41,187
Other	4	117,911	3	117,650
	61	1,754,101	29	786,509

Contributions

The schedule below summarizes the employee and employer contributions for the nine months ended December 31, 1993:

	Participants At December 31, 1993	Contributions Received		
		Employee \$	Employer \$	Total \$
Cities	22,618	35,647,800	41,436,228	77,084,028
Towns	1,819	1,998,369	2,356,789	4,355,158
Villages	90	110,519	89,480	199,999
Counties	3,466	3,734,052	4,218,953	7,953,005
Municipal Districts	716	862,728	957,343	1,820,071
School Districts	10,544	9,734,782	11,131,316	20,866,098
Commissions	171	271,313	303,738	575,051
Hospitals	33,525	40,632,490	44,938,044	85,570,534
Other	12,539	18,156,351	20,652,616	38,808,967
Accounts Held on Deposit	4,176	1,168	-	1,168
	89,664	111,149,572	126,084,507	237,234,079

Refunds

The following amounts of member contributions and interest were refunded to members terminating employment:

In addition, 148 refunds of excess contributions totalling \$82,709 were made to members and employers during the period.

	Number	Amount \$
Cash	1,364	5,147,769
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,545	11,114,968
	2,909	16,262,737

Death in Service Benefits

In the current period, 96 members died while in service. Forty-nine of the surviving spouses were granted spousal pensions. Lump sums were paid to

a total of 63 individual beneficiaries in respect of the other 47 deaths in service.

Information and Counselling Services

The pension plan was changed effective January 1, 1994 as a result of Pension Reform. Considerable work took place in preparation for these changes.

Eight employer workshops were presented to provide information on the nature of the changes proposed regarding pension reform. Four hundred and ninety-eight employer representatives attended these workshops.

Eleven employer workshops were presented to orient two hundred and nineteen employer representatives to the plan.

Forty-eight employee seminars were presented to 1,279 employees. In addition, eight pre-retirement seminars were presented to 323 employees.

To assist employers who offered severance packages to their employees, two special seminars were presented to 40 employees to explain the pension consequences of termination of employment under the program.

Pension News outlining some of the immediate effects of pension reform was sent to employers.

Information and Counselling Services (Cont'd)

The Alberta Retired Public Employees Society was assisted by Payroll and Pensions with the publication of their quarterly newspaper, *Postscript*.

Annual statements containing information on pensionable service, contributions, and prior service were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

During the nine months ended December 31, 1993, Pension benefits paid totalled \$140,160,483, as compared to \$178,497,453 paid in the previous fiscal year ended March 31, 1993.

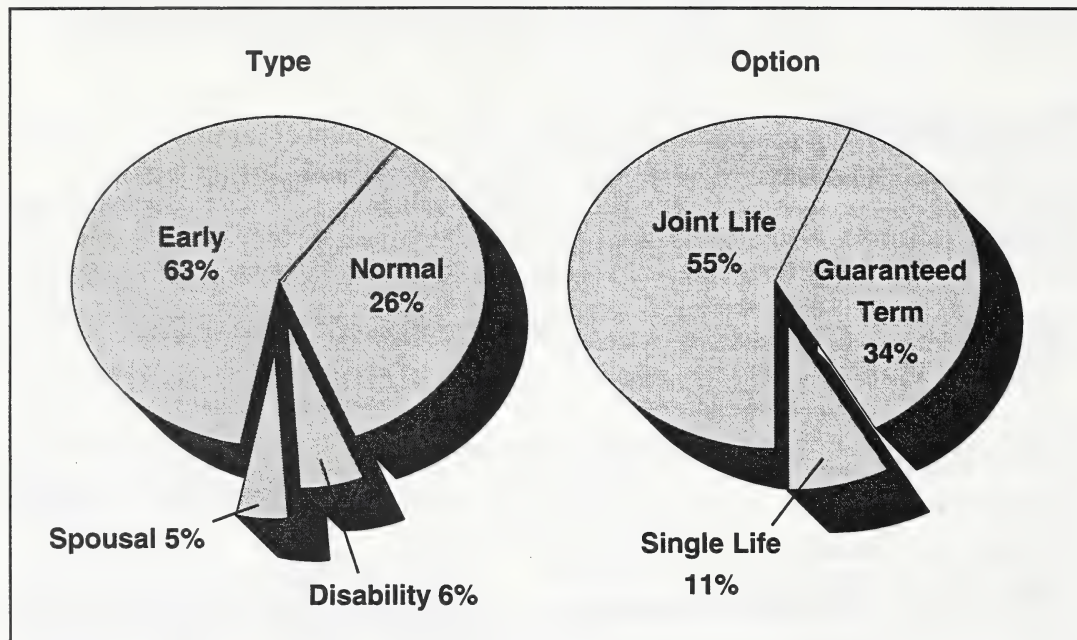
A total of 898 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	Nine months ended		Year ended	
	Dec. 31, 1993		March 31, 1993	
Normal Retirement	235		371	
Early Retirement	564	(342)	993	(612)
Partial or Total Disability	50	(19)	55	(23)
Death-in-Service (Spousal)	49	(16)	64	(21)
	898	(377)	1,483	(656)

() Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

Of the above retirements, 190 were in respect of deferred retirements from previous years (32 normal, 130 early, and 28 disability).

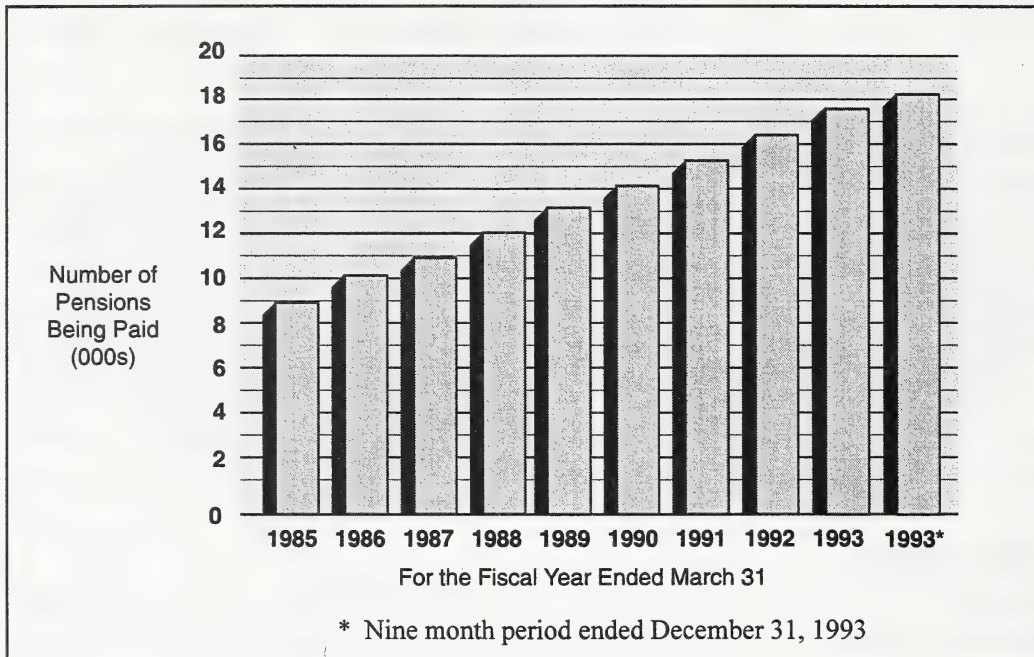
The charts below illustrate the relative proportions of retirements during the period by type of pension and option chosen:



Pension options selected by members were as follows:

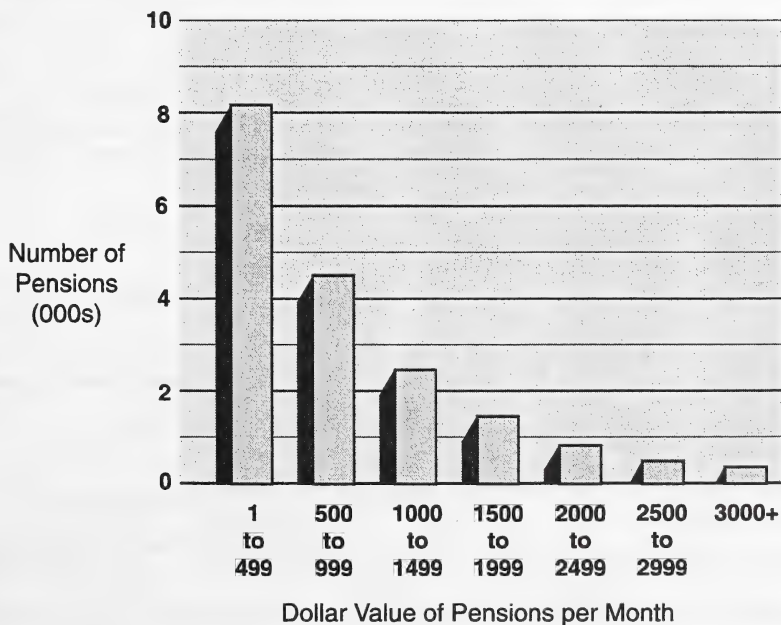
	At April 1, 1993	New Retire- ments	Benefi- ciaries	Deaths	End of Guarantee Term	At Dec. 31, 1993
Member Pensions						
Normal (guaranteed 5 years)	2,351	62	3	(62)	(2)	2,352
Single Life	1,730	90		(37)		1,783
Guaranteed 10 years	2,435	64	13	(61)	(25)	2,426
Guaranteed 15 years	2,344	134	32	(53)	(29)	2,428
Guaranteed 20 years	1,951		26	(35)	(16)	1,926
Joint Life non-reduced	3,948	350	38	(46)		4,290
Joint Life reduced one third	1,393	136	13	(17)		1,525
Joint Life reduced one half	316	13	10	(5)		334
Spousal Pensions						
Single Life	252	6		(5)		253
Guaranteed 5 years	78	5		(2)		81
Guaranteed 10 years	115	3	1	(3)		116
Guaranteed 15 years	140	35	1	(2)		174
Guaranteed 20 years	529		1	(4)		526
Total Pensions	17,582	898	138	(332)	(72)	18,214
Pensions Co-ordinated with						
CPP and/or OAS	8,164	377	54	(124)	(28)	8,443

The number of pensions being paid at the end of each of the last nine years and the nine month period to December 31, 1993 is presented in the graph below:



The schedule and graph below categorize the pensions in effect at December 31, 1993, by dollar value of monthly pension:

Dollar Value Per Month \$	Member Pensions	Spousal Pensions	Total
1 to 499	7,570	575	8,145
500 to 999	4,146	355	4,501
1,000 to 1,499	2,337	134	2,471
1,500 to 1,999	1,412	61	1,473
2,000 to 2,499	798	19	817
2,500 to 2,999	454	6	460
3,000 and over	347	-	347
	17,064	1,150	18,214



Statement of Receipts and Payments

Nine Months Ended December 31, 1993

	Nine months ended Dec. 31, 1993 \$	Year ended March 31, 1993 \$
RECEIPTS		
Employee contributions	102,795,235	136,317,929
Employer contributions	117,730,170	154,626,232
Additional contributions - Employee	8,354,337	4,733,532
- Employer	8,354,337	4,733,532
- Government	7,160,860	4,057,313
Interest on overdue receivables	11,389	12,923
Total Receipts	244,406,328	304,481,461
PAYMENTS		
Benefits		
Pensions to retired members	131,822,327	167,746,008
Pensions to surviving spouses	6,869,257	8,708,015
Lump sums to beneficiaries of deceased pensioners	753,907	897,147
Lump sums to beneficiaries of deceased employees	714,991	1,146,283
	140,160,482	178,497,453
Withdrawals		
Refunds of contributions and interest to terminated members	16,262,737	16,488,865
Reciprocal agreement transfers	786,509	880,991
Refunds of excess contributions	82,709	80,662
	17,131,955	17,450,518
Administration Costs	3,762,183	5,172,899
Total Payments	161,054,620	201,120,870
Excess of Receipts over Payments	83,351,708	103,360,591

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government until October 1, 1993. Such transfers are detailed under Book Entry Transfers.

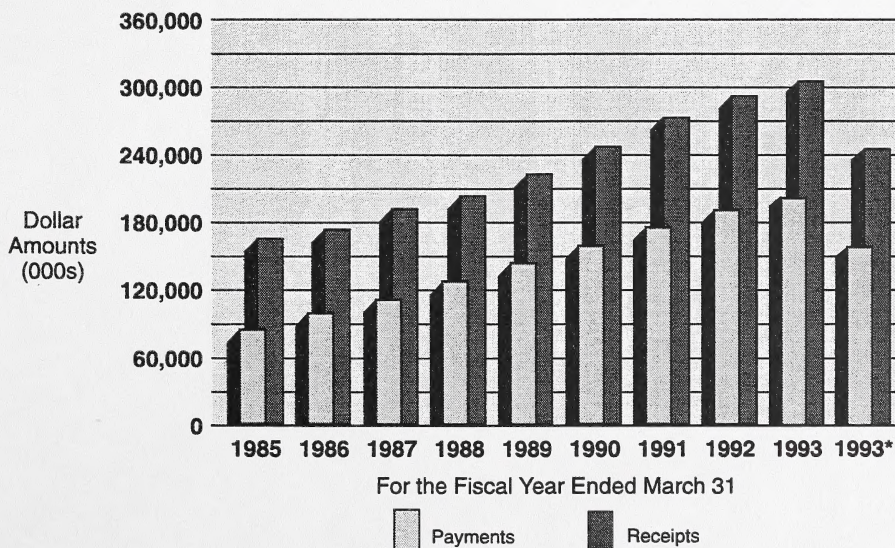
Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent four fiscal years, and the nine month period ended

December 31, 1993. In addition, a graph is presented to illustrate trends over the last nine years and nine month period.

(000s)										
RECEIPTS					PAYMENTS					Excess of Receipts Over Payments
Employee	Employer	Addi- tional Contri- butions	Total	Benefits	With- drawals	Admini- stration Costs	Total			
\$	\$	\$	\$	\$	\$	\$	\$	\$		
1993 *	102,795	117,741	23,870	244,406	140,160	17,132	3,762	161,054	83,352	
1992/93	136,318	154,639	13,524	304,481	178,497	17,451	5,173	201,121	103,360	
1991/92	133,315	151,675		284,990	163,372	22,129		185,501	99,489	
1990/91	123,934	141,774		265,708	147,966	22,715		170,681	95,027	
1989/90	112,227	128,718		240,945	133,488	21,505		154,993	85,952	

* Nine month period



* Nine month period ended December 31, 1993

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